GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:978
ANSWERED ON:29.07.2005
ROAD MAP FOR STATES `BORROWING
Adsul Shri Anandrao Vithoba;Rao Shri Devarakonda Vittal;Singh Shri Ganesh;Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is evolving a road map in the management of the borrowing programme of the State Governments from the market instead of obtaining loans from the Centre; and

(b) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a & b) Consequent to the acceptance of the recommendations of the Twelfth Finance Commission, Government of India has decided to dis-intermediate itself from the borrowing programme on behalf of states. From the current financial year the assistance from Govt. of India to State Governments to finance their arunual plan will be in the form of grants only. State Governments, will have to borrow directly from the market to finance the loan portion of Central Assistance. Government of India would intervene only for fiscally weak States that are unable to raise funds from the market.